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**BROWNFIELDS REVOLVING LOAN FUND
COOPERATIVE AGREEMENT WORK PLAN**

**Prepared for the U.S. Environmental Protection agency
Region 3**

**Prepared by:
Baltimore Development Corp.**

September 8, 2003

Cooperative Agreement recipient: _____


Signature

9/11/03
Date

Recipient Project Manager:

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Initiative¹
Baltimore Development Corporation
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Baltimore Development Corp.
Sept 11, 2003

BROWNFIELDS REVOLVING LOAN FUND COOPERATIVE AGREEMENT WORK PLAN

I. INTRODUCTION

Need. Baltimore, like many older industrial centers, has experienced a dramatic decline in manufacturing, resulting in numerous vacant or under-utilized industrial properties, most of which have contamination issues. About 1,000 acres or 50% of all vacant/under-utilized industrial/commercial land is likely contaminated, and the other 50% has the "perceived" contamination issue. Redevelopment, conservatively estimated, could produce:

- 27,000 jobs
- \$25 million in new annual property tax revenues

Objectives.

- Support the City's "Digital Harbor" strategy for revitalizing and re-positioning Baltimore's economy - assist in the transformation of former abandoned and vacant areas into viable and sustainable neighborhoods, using technology businesses to anchor exciting mixed-use redevelopment projects;
- Target sites that are consistent with the recently signed agreement between the City, the State of Maryland, and the Mid-Atlantic Federal Partnership for the Environment ("MAFPE");
- Extend the EPA Dollars, supplementing federal moneys with two other sources (City Economic Development Loan funds and Maryland Clean Water Revolving Loan funds) to create a larger Brownfields Financing fund;
- Use the three sources (above) to create a flexible financing tool that can respond to variety of cleanup and redevelopment challenges;
- Use the Brownfields RLF to provide maximum leveraged benefits in terms of: new investment; jobs created and retained; and expanded tax revenues.

Target Area. There is no specific geographic target area: rather the projects should be consistent with the general City-wide Digital Harbor strategy of re-positioning under-utilized areas for new, marketable, environmentally-friendly, 21st century uses. Areas where this re-positioning of property is being actively planned include: Fairfield, Carroll-Camden, the Rosemont industrial area, the Jones Falls Valley/watershed, and the Gwynns Falls valley/watershed. Note that, although no commitments have been made, BDC has received letters of interest from the National Aquarium (for a sub-grant) and developers of three projects: Brewer's Hill, Clipper Mill, and the former White Paint building.

II. INSTITUTIONAL STRUCTURE

A. Cooperative Agreement Recipient – Baltimore Development Corp., Evans Paul
(see cover page)

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- B. Fund manager – Baltimore Development Corp., Jeff Pillas, Chief Financial Officer, 410-837-9305, jpillas@baltimoredevelopment.com
- C. Site manager – BDC has pre-qualified 3 environmental consultants, selected through an EPA-approved competitive process. The pre-qualification period needs to be extended, but the scope of services includes oversight of cleanups. (Note the Site Manager will not be paid from EPA funds.)

III. MEMORANDUMS OF AGREEMENTS AND CONTRACTUAL SERVICES

A. **MOA's** – BDC will initiate discussion of a three-party MOA between the Maryland Department of the Environment (MDE), EPA, and BDC. The objective would be to see if the three parties can agree to an MOA that would eliminate or lessen the duplicative oversight of cleanup by MDE and EPA. BDC's presumption is that, because of the existing MOU between MDE and EPA, EPA delegation of oversight to MDE would both make sense and would be based on a solid precedent.

BDC will also initiate discussion of an MOA with the Maryland Department of the Environment relative to the Clean Water revolving Loan Fund (CWRLF). The objective is to allow BDC to package CWRLF loans with the EPA Brownfields Loan and BDC bond funds.

B. **Contractual Services** – Contractual services (legal services and cleanup oversight by the "Site Manager") will not utilize EPA funds. These services will be paid for either by the borrower or by using the BDC commitment of bond funds to supplement the EPA funds. BDC will use environmental consultants, selected through an EPA-approved competitive process. The pre-qualification period needs to be extended, but the scope of services includes oversight of cleanups.

III. PROJECT APPROACH

- a) Implement the RLF:
1. Fund operation and Administrative Plan - set up documentation, accounting/internal procedures, and address any legal requirements;
 2. Develop loan/subgrant application and selection guidelines, including community involvement requirements;
 3. Explore potential MOA with EPA and MDE;
 4. Contracts – (Contracts will NOT use EPA funds.) Contractual services for the Site Manager and for Legal Services will be arranged using contractors already approved through a competitive process.
- b) Market RLF – includes:
1. Develop and distribute printed material, with mailing to several mailing lists;
 2. Presentations at brownfields related meetings and conferences (Brownfields Council, Consulting Engineer's Council, others)
 3. Revise BDC website supplemented w/ links to other websites;

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4. Seeking media coverage of: the grant announcement, the first loan, project successes, etc
- c) Operate the RLF (and sub-grant, if applicable)
 1. Review received applications;
 2. Negotiate loan (and grant) agreements, including community involvement plans.
 3. Make loans – projects will be selected according to previously determined guidelines
 4. Oversee site cleanups – the site cleanups will be carefully monitored for performance and appropriate procedures;
 5. Community involvement – ensure that the public is kept informed of projects and given opportunity to comment and respond to the plans, through public meetings, and the BDC website;
 6. Tracking and reporting – Projects will be monitored and evaluated and progress reports will be filed with EPA on a timely basis.

IV. BUDGET SUMMARY

See 424(a) budget forms and attached budget detail.

VI. LOAN/SUBGRANT PROGRAM DEVELOPMENT AND ADMINISTRATION

A. Fund Operation and Administration Plan.

1. Loans

a) *Loan application, review and selection process*

- applications review:
 1. staff review by project officer and fund manager;
 2. BDC Loan Committee review (see appendix A for members of the Loan Committee)
- Criteria and eligibility – see appendix B

b) *Loan terms* – BDC wants to retain flexibility to negotiate terms that are sensitive to the individual conditions of each project. The commitment of \$750,000 in City Bond funds was made, in part, because BDC wants to assure the total fund is flexible enough to be appealing for private investment. For the EPA-funded part of the Fund, guidelines would be generally:

- Term: not more than 7 years;
- Interest: 1% to 5%, (higher only if the US treasury rates rise)
- Origination fee: 1%
- Security/position: subordinate position; lien on the property, supplemented if necessary by other assets and guarantees

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- Legal fees and cleanup oversight (by the 'site manager') would be paid for by the borrower or BDC through the bond fund commitment outlined above.
- c) *Loan Administration* – BDC's Accounting Department will perform the accounting procedures associated with servicing brownfields loans to include all billing, collection and customer service. BDC's Chief Financial Officer will handle default scenario's according to well-established procedures, as follows:
 - (1) Accounts 30 days past due triggers initial communication with borrower;
 - (2) Accounts 90 days past due triggers a letter warning of legal action;
 - (3) Accounts 120 days past due triggers legal action.

2. *Subgrants application, review and selection process –*

Note that a sub-grant to the National Aquarium for the Center for Aquatic Life and Conservation (CALC) was part of the original application. That project is still in planning, albeit with a longer time frame and greater uncertainty. If the project proceeds, BDC has planned to support the project using either a \$200,000 sub-grant or a direct EPA Brownfields Cleanup grant, pending resolution of eligibility issues. The enclosed budget documents (form 424(A) and budget detail sheet) reflect the intention to make one \$200,000 sub-grant available during the 5-year life of the RLF. The current plan is that these funds would assist the Aquarium CALC project, but one or more other projects could be assisted, as well.

- applications review:
 - 1. staff review by project officer and fund manager;
 - 2. Committee review by BDC Project Committee, BDC Board, and the City of Baltimore's Board of Estimates.
- Criteria and eligibility – see appendix B.

3. *Disbursement of funds*

BDC has well-established procedures for disbursing funds. Disbursement is authorized bi-monthly by the Accounting Division and must be authorized by BDC's Executive Vice President or Chief Financial Officer. Disbursement of funds will be according to the terms of a written loan agreement, including a specified schedule. The Loan Agreement will be reviewed by EPA and will be in compliance with relevant federal regulations.

B. **Marketing Plan**

BDC will promote the availability of the funds by using the following methods:

- Printed material, with mailing to several mailing lists;
- Presentations at brownfields related meetings and conferences (Brownfields Council, Consulting Engineer's Council, others)
- BDC website supplemented w/ links to other websites;

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- Seeking media coverage of: the grant announcement, the first loan, project successes, etc

VII. REQUIREMENTS FOR CLEANUPS PERFORMED USING EPA BROWNFIELDS FUNDING

BDC will fully comply with all of the cleanup requirements outlined in Terms & Conditions of the Cooperative Agreement. The Project Manager, Evans Paull, will be responsible for compliance with EPA requirements.

VIII. COMMUNITY INVOLVEMENT PLAN

Each site funded through the RLF will at least meet EPA's minimum requirements for community involvement:

- Preparation of site specific community relations plans that outline proposed public participation steps;
- Establishment of a publicly available administrative record that contains all relevant cleanup planning document;
- Provision of an opportunity for the public to comment on the proposed cleanup;
- A response to the public comments, as appropriate.

Additional community involvement will be considered for each individual site, taking account involvement that may have already taken place as part of land use/zoning review, community interest, projected impacts, and other factors. Under Maryland's VCP a community meeting is standard procedure when the site is going through the Response Action Plan Process - BDC will work with MDE to make sure this process is meaningful.

IX. SCHEDULE

ACTIVITY	DATE
A. Implement the RLF	
1. Fund operation and Administrative Plan - set up documentation, accounting/internal procedures, and address any legal requirements;	9/09/03-10/30/03
2. Develop loan/subgrant application and selection guidelines, including community involvement requirements.	9/09/03-10/30/03
3. Explore potential MOA with EPA and MDE for cleanup oversight. Explore MOA with MDE regarding the CWRLF. (See III-A).	9/09/03-10/30/03
4. Contracts - (Contracts will NOT use EPA funds.) Contractual services for the Site Manager and for Legal Services will be arranged using contractors already approved through a competitive process.	9/09/03-10/30/03

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B. Marketing Plan	
1. Develop and distribute printed material, with mailing to several mailing lists.	9/09/03-10/30/03
2. Presentations at brownfields related meetings and conferences	9/09/03 - 1/30/04
3. Revise BDC website.	9/09/03-10/30/03
4. Seek media coverage.	9/09/03-10/30/03
C. Operate the RLF and, potentially, the sub-grant	
1. Review received applications.	Start 12/30/03, then on-going
2. Negotiate loan (and grant) agreements, including community involvement plans.	Start 1/30/04, then on-going
3. Make loans.	Start 3/01/04, then on-going
4. Oversee site cleanups.	Start 4/01/04, then on-going
5. Community involvement.	Start 1/30/04, then on-going
6. Tracking and reporting.	Start 12/30/03, then on-going

X. REPORTING REQUIREMENTS

BDC will fully comply with all other EPA reporting requirements, as per the Terms and Conditions of the Grant, including:

- Quarterly Progress Reports
- Financial Status Reports
- MBE/WBE Utilization Reports
- Completed Property Profile forms for all sites Loan Agreements

Appendix A

Baltimore Development Corporation Loan Committee**Chairman**

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Appendix B

DRAFT
ELIGIBILITY AND CRITERIA FOR THE BALTIMORE
BROWNFIELDS FINANCING FUND

Eligibility

Three funding sources are involved in the Baltimore Brownfields Financing Fund (BBFF): the EPA Brownfields Revolving Loan Fund, City Bond Funds, and the Maryland Clean Water Revolving Loan Fund (CWRLF). Eligibility varies between the three sources.

<i>Source</i>	<i>Eligible Activities</i>	<i>Eligible Sites</i>	<i>Eligible recipients</i>
EPA RLF funds - \$1 million - Loans to private entities; grants to non-profits that own the site.	Cleanup – hazardous waste, and in-building contamination (asbestos and lead).	Sites that are defined as “Brownfields Sites” under P.L. 107-118.	Usually assists the innocent purchaser only; “Potentially-Responsible Persons (PRP) are not eligible ¹
Maryland Clean Water Revolving Loan Funds (CWRLF) – Loans only	Cleanup w/ clean water benefit – hazardous waste, oil	No restrictions	Any party including RP's
City Bond Funds - \$750,000 (\$250,000 “allowable expenses”) – Loans and grants	Site prep, bldg impr'ts, and cleanup for projects using one of the two other sources	No restrictions	Any party including RP's if the RP is not responsible for contamination

Criteria Used by BDC for all Financial Assistance**1. Financing “Gap”**

- Leverage private to public investment.

BDC requires that other funds be infused into a project by the borrower, including equity, bank debt or other public (but non-City) sources. For most loan transactions, the City participation does not exceed 50% of total project cost.

2. Underwriting

¹ Potentially-responsible persons (PRP) are defined in the federal Superfund/CERCLA statute, as amended under P.L. 107-118.

- Company history and reputation
- Financial analysis and ability to repay loan
 - a) Analysis of Income Statement and Balance Sheet (typically three years historic information)
 - b) Cash Flow Coverage
 - c) Analyst Reports (for publicly traded corporations)
 - d) Dun & Bradstreet (D&B) Credit Reports
 - e) Personal Credit Reports (for sole proprietors or owners of closely held corporations with more than 20% ownership)
 - f) Business and Personal Net Worth (for sole proprietors or closely held corporations)
 - g) Business Projections (typically three to five years, required for start-up operations)
- Loan Structure Issues
 - a) Loan pricing (interest rate and fees)
 - b) Amortization
 - c) Personal Guarantees
 - d) Collateral and Subordination of liens - In most deals involving closely held corporations, BDC typically files a lien against the company assets or the real estate. This lien is subordinated to the primary lender. For loans to publicly traded companies, loans are typically unsecured.
 - e) Other credit enhancement or surety

3. City Benefits: Job and Taxes

- Number of jobs created or retained
- City loan dollars per job (BDC's goal of \$10,000 or less per job)
- Opportunities for employment of City residents and compliance with First Source Hiring requirement
- Salary ranges and company-paid benefits; "Living wage" salary for unskilled positions
- Incremental City tax revenues, including real property, business personal property, piggyback and other taxes. (While BDC focuses primarily on incremental taxes, existing City taxes are included in the analysis for significant retention deals.)

4. City Returns

- City Internal rate of return vis-à-vis fiscal benefits and costs and net present value analysis

City returns typically are analyzed for loan transactions involving a significant interest rate subsidy. BDC guidelines for the "minimum" City IRR are as follows:

Market-rate Housing Projects	4%
All other Commercial Projects	6%

5. City Benefits: Other

- Redevelopment of blighted areas and/or adaptive reuse of vacant or underutilized properties or brownfields;
- Assistance to small businesses, especially to assist owner-occupied real estate deals;
- Opportunities for minority business capacity building.

Additional Criteria for the BBFF

1. The sufficiency of the environmental site assessment;
2. Compliance with EPA requirements, including community involvement;
3. Preference to sites that support the City's "Digital Harbor" strategy for revitalizing and re-positioning Baltimore's economy;
4. Preference to sites that are consistent with the recently signed agreement between the City, the State of Maryland, and the Mid-Atlantic Federal Partnership for the Environment ("MAFPE").

Additional Criteria for Sub-Grants to non-profits using the EPA Revolving Loan Fund

Sub-grants to non-profits that own their sites are an eligible use of the EPA funds. Additional criteria for these funds are as follows:

1. The extent to which the sub-grant facilitates the creation, preservation, or addition to a park or greenspace, undeveloped property, or other property used for nonprofit purposes;
2. The extent to which the sub-grant meets the needs of under-served/low income communities;
3. The extent to which the sub-grant promotes the re-use of existing infrastructure;
4. The benefit of promoting the long-term availability of the Brownfields Revolving Loan Fund.